



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Discuss 2005-06 Budget Strategy

**MEETING DATE:** January 18, 2005

**PREPARED BY:** Finance Director

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**RECOMMENDED ACTION:** That Council continues discussions regarding the 2005-06 Budget Strategy.

**BACKGROUND INFORMATION:** The City Council continued discussions of the 2005-06 budget at the Council meeting on January 11, 2005. Staff would like to continue that discussion during the Tuesday morning meeting scheduled on January 18, 2005. Attached is a general outline of the points of discussion for the meeting in outline form.

There was no discussion related to the Accounting policy changes on January 11, 2005. Staff would like to begin the meeting Tuesday morning with that topic. Following is a brief discussion of that point and the other topics we would like to present on Tuesday:

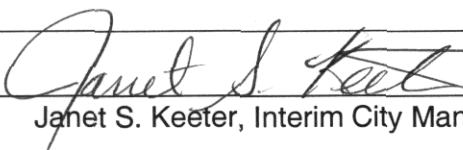
**Discussion of Accounting Policy Changes:**

1) Many departments and programs are accounted for in the General Fund. In accordance with budget policies, this has involved subsidizing some activities with general revenues. And, in other cases it has involved paying for general activities with designated revenues. Although this can be considered a permissible short term practice, it is not a practice which should be continued on a long term basis. With the budget challenge we now face it is particularly important that we make all the efforts we can at clarifying and identifying financial resources with the associated services that those resources are utilized for. Specific examples of where the matching of resources with the associated programs needs to be more carefully evaluated is in the Community Development, Parks and Recreation, Community Center and Public Works departments. Ultimately the objective is to make it as clear as possible within our accounting and budgeting structure the relationship between revenues and services provided. However, aside from the accounting practices we follow, the question for City Council is whether general revenues should be used to subsidize operations that could be paid for with direct revenues. Staff seeks your direction on this question. The answer to this policy question may result in the increase of some fees and the reclassification of some activities out of the general fund and into separate "specially designated funds."

2) Internal Services Activities are accounted for in the general fund for the most part. In the past some of these activities have been reclassified to other funds (Medical Insurance, Workers Compensation and other insurances). In order to more clearly associate the cost of

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APPROVED:

  
Janet S. Keeter, Interim City Manager

services provided internally by the Finance, Information Systems, Human Resources, Building Facilities and Vehicle Maintenance Departments, staff is recommending that these activities be reclassified to Internal Service Funds.

#### **Discussion of Revenue Enhancements:**

1) General Revenues- there are several elements associated with enhancing general revenues. One of the primary ways in which to increase general revenues is through investment in those activities which will result in increased economic activity. Staff proposes that all programs involved with enhancing economic activity be evaluated and prioritized so that continuing support of those programs and activities, which result in long term benefits to the community, be viewed as having the highest priority within the community promotion budget for 2005-06 and beyond.

2) Several departments will be recommending that the fees and rates that they charge for specific programs and activities be increased in order to ensure that those activities not be subsidized by general revenues as has been the case in past budgets. Specific examples of these revenues will be discussed on Tuesday and include Fees for Parks and Recreation activities, Fees for Community events at the Hutchins Street Square and Fire inspection fees.

#### **Discussion of Mid Year Budget Adjustments:**

There will be one significant budget adjustment that staff is recommending for 2004-05. The adjustment that will be recommended by staff is that the Community Development Department fills one of the current vacancies and starts the General Plan review process. This will entail hiring staff in the current fiscal year and a consultant at a later time; and will be funded with Impact Mitigation Fees.

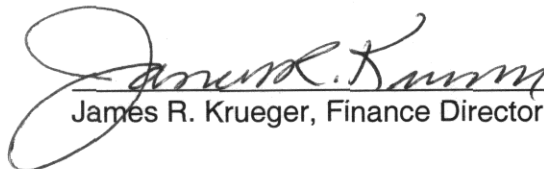
#### **Discussion of Internal Audit Function:**

As indicated to the Council at the previous meeting, the Finance Department is interested in starting a review of operations of departments for efficiencies and effectiveness. This would be a significant commitment of resources to accomplish this objective; and will be reviewed with the City Manager in conjunction with discussions with all departments before it will be considered for implementation.

#### **Gann Appropriations Limitation:**

Staff will discuss the limitation amount and how it has been adjusted over the years to arrive at the amount for which it is currently set.

**FUNDING:** Not applicable.

  
James R. Krueger, Finance Director

## **Outline for Budget Discussions at Shirtsleeve Meetings**

### **Tuesday January 11, 2005**

#### *Discussion of Meet and Confer Issues*

- A. Salary reductions
- B. PERS Contributions
- C. Employee Health Insurance Contribution
- D. Reductions in Force
- E. Outsourcing options

#### *Discussion of Service Priorities in Conjunction with Community Survey*

- A. Results of Survey
- B. Suggested weighting of priorities, cut %s and target budgets to arrive at resolution of \$2.2 M imbalance.

#### *Discussion of Accounting policy changes*

- A. Reclassification of Community Development, Parks and Recreation, and Community Square to Special Revenue Funds.
- B. Reclassification of Internal Services including Finance, Information Systems Division, Building Facilities and Equipment Maintenance divisions into Internal Services Funds.

### **Tuesday January 18, 2005**

#### *Discussion of Revenue Enhancements*

#### *Review Mid-year Budget Adjustments*

#### *Discussion of establishment of Internal (Operations) Audit Function to review efficiencies and effectiveness of City Operations*

#### *Gann Appropriations Limitation*

### **Tuesday January 25, 2005**

#### *Discuss recommended strategies for development of 2005-06 budget document*

#### *Review Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2004*

filed 1-18-05  
(Exhibit A)

	<u>Baseline</u>	<u>Target</u>	<u>Cuts Proposed</u>	<u>% Reduction</u>
City Attorney	421,400	400,300	21,100	5%
City Clerk	570,600	547,700	27,900	5%
City Manager	696,900	664,600	32,300	5%
Community Center	1,513,600	1,332,000	181,600	12%
Police	12,744,400	12,107,200	637,200	5%
Fire	7,709,400	7,323,900	385,500	5%
Community Dev. Dpt	1,974,000	1,855,600	118,400	6%
Parks	2,163,600	1,904,000	259,600	12%
Recreation	1,699,600	1,495,600	204,000	12%
	3,863,200	3,399,600	463,600	
Public Works	8,199,700	7,543,700	656,000	8%
Informations Services Division	1,195,800	1,076,200	119,600	10%
Human Resources	689,400	620,500	68,900	10%
Finance	2,035,600	1,832,000	203,600	10%
Non-Departmental	803,700	707,300	96,400	12%

Preliminary Information Only.  
To be used for Developing Priorities for Expenditures Reductions

**Totals By Function**

			<b><u>\$ Cuts</u></b>	<b><u>%</u></b>
Public Safety	20,453,800	19,431,100	1,022,700	5%
City Council and Appointees	<u>1,688,900</u>	<u>1,612,600</u>	<u>76,300</u>	5%
Total (General Fund)	22,142,700	21,043,700	1,099,000	5%
Public Works	8,199,700	7,543,700	656,000	8%
Parks and Recreation	3,863,200	3,399,600	463,600	12%
Community Center	1,699,600	1,495,600	204,000	12%
Internal Services	4,724,500	4,236,000	488,500	10%
Community Development	1,974,000	1,855,600	118,400	6%
Total Cuts	42,603,700	39,574,200	3,029,500	7%

Preliminary Information Only.  
To be used for Developing Priorities for Expenditures Reductions

filed 1-18-05  
(Exhibit B)

	(1)	(2)	(3)	(4)	(5)	(2)-(3)-(4)	(5)/(2)	
		Expenditures	Funding Sources					Recommended
<u>Totals By Function</u>	<u>Baseline</u>	<u>Targets</u>	<u>Direct</u>	<u>Transfers***</u>	<u>General</u>	<u>General %</u>		<u>Funding Sources</u>
Public Safety	20,453,800	19,431,100	1,010,000 **	110,000	18,311,100	94%		Property Taxes, In-lieu of, Motor Vehicle
City Council and Appointees	1,688,900	1,612,600	0	576,000	1,036,600	64%		Sales Taxes
<b>Total (General Fund)</b>	<b>22,142,700</b>	<b>21,043,700</b>	1,010,000	686,000	19,347,700			
Public Works	8,199,700	7,543,700	404,000 **	2,450,000	4,689,700	62%		Sales Taxes
Parks and Recreation	3,863,200	3,399,600	848,000 **		2,551,600	75%		Sales Taxes
Community Center	1,699,600	1,495,600	440,000 **		1,055,600	71%		Sales Taxes
Internal Services	4,724,500	4,236,000	498,000	2,769,000	969,000	23%		Late payments, Other
Community Development	1,974,000	1,855,600	1,000,000 **	120,000	735,600	40%		Sales Taxes
Sub-total to be removed from General Fund		18,530,500	3,190,000	5,339,000	10,001,500			
<b>TOTAL</b>			4,200,000	6,025,000	29,349,200			
<b>Total Expenditures</b>	<b>42,603,700</b>	<b>39,574,200</b>						
- Direct Revenues	4,200,000	4,200,000						
- Cost of Services Transfers	6,025,000	6,025,000						
Imbalance	3,029,500	0						
<b>Funded with General Revenues</b>	<b>29,349,200</b>	<b>29,349,200 *</b>						
<b>Total</b>	<b>42,603,700</b>	<b>39,574,200</b>						

\* There are no proposals to go to the citizens with any general revenue increases

\*\* Proposals will be made by these departments to increase fees, rates or the amount of direct revenues

\*\*\* Costs will be evaluated in relation to target expenditures amounts and will be adjusted in relation to revised expenditures

Preliminary Budget Information  
For Discussion Purposes Only  
Numbers Will Change